Report of the
Comptroller and Auditor General
of India

for the year ended March 2013

Union Government
Department of Revenue
(Indirect Taxes – Central Excise)
(Compliance Audit)
Report No. 8 of 2014

Laid on the table of Lok Sabha and Rajya Sabha on .....18 जुलाई 2014

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Preface

This Report for the year ended March 2013 has been prepared for submission to the President of India under Article 151 of the Constitution of India.

The Report contains significant results of the compliance audit of the Central Excise receipts under Central Board of Excise and Customs, Department of Revenue, Ministry of Finance.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2012-13 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

This Report contains 62 audit observations pertaining to Central Excise duties, having a revenue implication totaling ₹ 182.90 crore. The Ministry/department had, until March 2014, accepted audit observations involving revenue of ₹ 179.44 crore and reported recovery of ₹ 21.29 crore. Some significant findings are as follows:

Chapter I: Central Excise and Service Tax Revenues

- Central Excise revenue has shown growth during FY09 to FY13 except in FY10. During FY13, Central Excise collections grew by 21.36 per cent over the previous year.

  (Paragraphs 1.7)

- Revenues forgone on account of Central Excise exemptions continued during FY13. Exemptions under section 5A(1) of the Central Excise Act amounted to ₹ 2,06,188 crore (₹ 1,87,688 crore as general exemptions and ₹ 18,500 crore as area based exemptions) i.e. 117 per cent of the revenues from Central Excise.

  (Paragraph 1.16)

- Cases involving duty of ₹ 17,020.54 crore were pending as on 31 March 2013. The pendency is increasing every year. 326 cases involving ₹ 1,353.85 crore were pending for more than two years.

  (Paragraph 1.26)

- Arrears pending for recovery reached to ₹ 47,621 crore in FY13 while collection was only ₹ 1,884 crore during the year. Pendency of arrears is increasing every year and the recoveries were a meagre 5 per cent of outstanding arrears.

  (Paragraph 1.35)

Chapter II: Non-compliance with Rules and Regulations

- We noticed cases of irregular availing and utilisation of cenvat credit, non/short payment of Central Excise duty involving revenue of ₹ 66.76 crore.

  (Paragraphs 2.1)

Chapter III: Effectiveness of Internal Control

- We observed, inter alia, instances of deficiencies, in scrutiny and internal audit process. Duty/tax involved was ₹ 116.03 crore.

  (Paragraphs 3.2)

Chapter I

Central Excise Revenues

Resources of the Union Government

1.1 The Government of India's resources include all revenues received by the Union Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans. Tax revenue resources of the Union Government consist of revenue receipts from direct and indirect taxes. Table 1.1 presents a summary of receipts of the Union Government, which amounted to ₹ 53,67,988.99 crore[1] for FY 2012-13. Out of this, its own receipts were ₹ 13,99,951.05 crore including gross tax receipts of ₹ 10,36,460.45 crore.

Table 1.1: Resources of the Union Government

	Cr. ₹
A. Total Revenue Receipts	13,47,437.62
i. Direct Tax Receipts	5,58,989.47
ii. Indirect Tax Receipts	4,74,728.28
iii. Other tax receipts from union territories	2,742.70
iv. Non-Tax Receipts including Grants-in-aid & contributions	3,10,977.17
B. Miscellaneous Capital Receipts	25,889.80
C. Recovery of Loan & Advances	26,623.63
D. Public Debt Receipts	39,68,037.94
Receipts of Government of India (A+B+C+D)	**53,67,988.99**

Note: Total Revenue Receipts include ₹ 2,91,546.61 crore, share of net proceeds of direct and indirect taxes directly assigned to states.

The Consolidated Fund of India formed under Article 266 of the Constitution of India consists, *inter alia,* of all revenues received by the Government of India. The Union of India's revenue receipts arise from both tax and non-tax sources. Tax revenues comprise chiefly of proceeds of taxes/duties levied by the Union Government *viz*. taxes on income (other than agricultural income) and on wealth, corporation tax, duties of customs, Union excise duties, taxes on services etc., which are covered by entries under List 1 of the Seventh Schedule of the Constitution.

Taxes are broadly classified as direct and indirect taxes. Generally, taxes paid directly to the Government by the persons on whom the tax is imposed/ levied are referred to as direct taxes. These include income tax, corporation tax, wealth tax etc.[2] On the other hand, indirect taxes are those in which the levy of tax is on one entity while the burden of tax falls on another entity.

[1] Source: Union Finance Accounts of FY 2012-13 (Provisional).

[2] Note below Table 3.4, Page 61, Economic Survey 2012-13 indicates that besides personal income tax and corporation tax, direct taxes include taxes pertaining to expenditure, interest, wealth, gift, and estate duty.

Nature of Indirect Taxes

1.2 Indirect taxes attach themselves to the cost of the supply of goods/services and are, in this sense, transaction-specific rather than person-specific. The major indirect taxes/duties levied under Acts of Parliament are listed below:

a) **Central Excise duty:** Duty is levied on manufacture or production of goods in India. Parliament has powers to levy excise duties on tobacco and other goods manufactured or produced in India except alcoholic liquors for human consumption, opium, Indian hemp and other narcotic drugs and narcotics but including medicinal and toilet preparations containing alcohol, opium etc (Entry 84 of List 1 of the Seventh Schedule of the Constitution).

b) **Customs duty:** Duty is levied on import of goods into India and on export of certain goods out of India (Entry 83 of List 1 of the Seventh Schedule of the Constitution).

c) **Taxes on Services:** Service Tax is levied on services provided within the taxable territory (Entry 97 of List 1 of the Seventh Schedule of the Constitution).[3]

Organisational structure

1.3 The Department of Revenue (DoR) under the Ministry of Finance exercises control in matters relating to indirect taxes through a statutory Board, constituted under the Central Boards of Revenue Act, 1963, namely the Central Board of Excise and Customs (CBEC). CBEC looks after the levy and collection of indirect taxes including Customs, Central Excise duties and Service Tax. The overall sanctioned staff strength of the Central Excise, Customs and Service Tax department is **73,814.**[4] **Appendices 1 and 2** depict the organizational structure of DoR and CBEC respectively.

1.4 The Central Excise law is administered by the CBEC through its field offices, the Central Excise Commissionerates. For this purpose, the country is divided into 23 zones and a Chief Commissioner of Central Excise heads each zone. There are 93 Commissionerates headed by the Commissioner of Central Excise and 4 Large Taxpayer Units (LTU) Commissionerates in these zones. Division and Ranges are the subsequent formations, headed by

[3]The Constitution (Eighty-eighth Amendment) Act, 2003, which received the assent of the President on 15 January 2004 was introduced to provide for the insertion of Article 268A, amendment of Art 270 and insertion of Entry 92C, 'tax on services', in List 1 of the Seventh Schedule. However, the Act is yet to come into force.

[4] Figures furnished by the Ministry as on 18 February 2014.

Deputy/Assistant Commissioner of Central Excise and Superintendents of Central Excise respectively.

1.5 This Report contains 62 audit observations having a total revenue implication totalling ₹ 182.90 crore. The Ministry/department had, as of March 2014, accepted 58 audit observations involving revenue of ₹ 179.44 crore and had reported recovery of ₹ 21.29 crore. The Report includes 8 observations highlighting departmental lapses.

Growth of Indirect Tax Revenues

1.6 Chart 1.1 and Table 1.2 depicts collections of indirect tax as a percentage of GDP for the period FY09 to FY13[5]. The percentage share of indirect taxes to GDP was around 5 per cent during last five years. Share of indirect taxes in the gross tax revenues was around 45 per cent during the period. GDP increased from ₹ 56.30 lakh crore in FY09 to ₹ 101.13 lakh crore in FY13 whereas indirect taxes increased from ₹ 2.70 lakh crore in FY09 to ₹ 4.75 lakh crore in FY13.

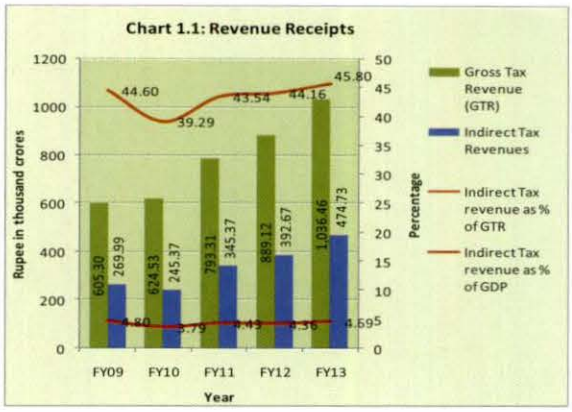


Table 1.2: Revenue receipts

Cr. ₹

Year	Gross Tax Revenue (GTR)	Indirect Tax Revenues #	GDP	Indirect Tax revenue as % of GTR	Indirect Tax revenue as % of GDP
FY09	6,05,298	2,69,988	56,30,063	44.60	4.80
FY10	6,24,527	2,45,373	64,77,827	39.29	3.79
FY11	7,93,307	3,45,371	77,95,314	43.54	4.43
FY12	8,89,118	3,92,674	90,09,722	44.16	4.36
FY13	10,36,460	4,74,728	1,01,13,281	45.80	4.69

Note: Figures of tax receipts are as per Union Finance Accounts of respective years, figures for 2012-13 are provisional.

Includes major indirect taxes components i.e. Customs, Central Excise, Service Tax and other taxes on commodities and services.

[5]GDP – Press note of Press Information Bureau, Central Statistical Organisation(CSO), Ministry of Statistics. Press note dated 7 February 2014 indicates that the figures for GDP at current price/market price for the year 2011-12 are 2nd revised estimates and for the year 2012-13 are 1st revised estimates. The data is based on current market prices with base year 2004-05. Figures are continually being revised by CSO and the data is meant for an indicative comparison of fiscal performance with macro economic performance.

Growth of Central Excise - Trends and Composition

1.7 Chart 1.2 and Table 1.3 traces the growth of Central Excise collections during FY09 to FY13. Central Excise revenue has shown positive growth except in FY10. During FY13, Central Excise collections grew by 21.36 per cent over the previous year. Budget 2012-13 envisaged a growth of 29.1 per cent in the revenue over 2011-12. Economic survey 2012-13 explained that the assumption for the growth was attributable to facts such as increase in the effective rate, concessional rate and lower rate of excise duty on non-petroleum products and enhancing the rate of excise duty on certain categories of automobiles; cigarettes and tobacco products of certain specifications[6]. Analysis of revenue collection from top 20 commodities also shows that there was increase in collection of revenue during FY13 from all commodities except 'other tobacco products' and 'furnace oil'. The share of Central Excise in gross tax revenues ranged between 16 to 18 per cent while in GDP it ranged between 1.6 to 1.9 per cent.

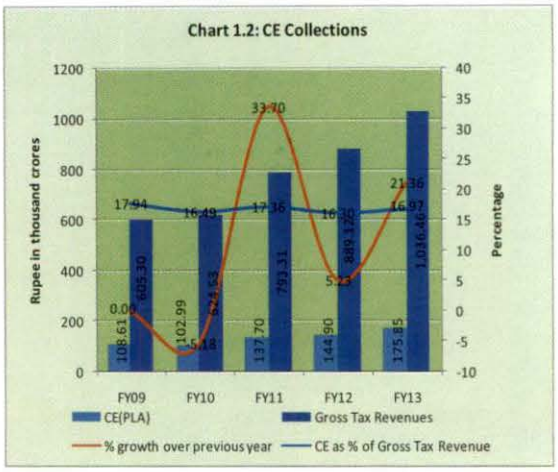


Table 1.3: Growth of Central Excise collections

Cr.₹

Year	CE(PLA)	% growth over previous year	GDP	CE as % of GDP	Gross Tax Revenues	CE as % of Gross Tax Revenue
FY09	1,08,613	-	56,30,063	1.93	6,05,298	17.94
FY10	1,02,991	(-)5.18	64,77,827	1.59	6,24,527	16.49
FY11	1,37,701	33.70	77,95,314	1.77	7,93,307	17.36
FY12	1,44,901	5.23	90,09,722	1.61	8,89,118	16.30
FY13	1,75,845	21.36	101,13,281	1.74	10,36,460	16.97

Source: Union Finance Accounts of respective years; figures for FY13 are provisional

Indirect Tax components - Relative performance

1.8 Table 1.4 depicts the relative performance in term of revenue and growth trajectory of the various indirect tax components in GDP terms for the period FY09 to FY13. All the components showed varied growth during the five years.

[6]Page 63, Economic Survey 2012-13

Table 1.4: Indirect Taxes – percentage of GDP

Cr. ₹

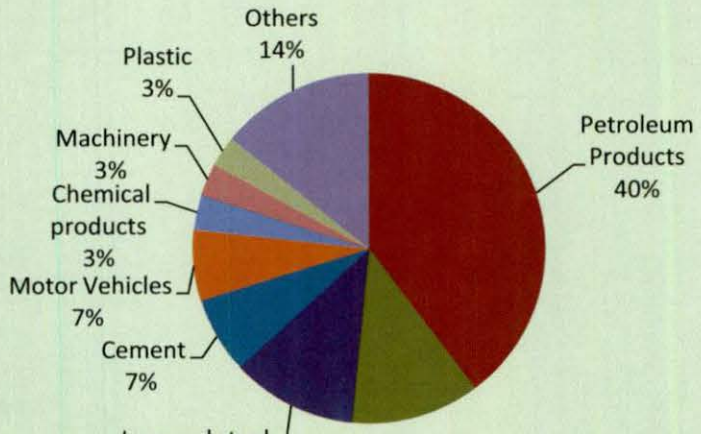
Year	GDP	Customs Revenue	Central Excise Revenue	Service Tax Revenue	Customs revenue as percentage of GDP	Central Excise revenue as percentage of GDP	Service Tax revenue as percentage of GDP
FY09	56,30,063	99,879	1,08,613	60,941	1.77	1.93	1.08
FY10	64,77,827	83,324	1,02,991	58,422	1.29	1.59	0.90
FY11	77,95,314	1,35,813	1,37,701	71,016	1.74	1.77	0.91
FY 12	90,09,722	1,49,328	1,44,901	97,509	1.66	1.61	1.08
FY13	1,01,13,281	1,65,346	1,75,845	1,32,601	1.64	1.74	1.31

Source: Union Finance Accounts of respective years; figures for FY13 are provisional

Top Revenue yielding commodities

1.9 Chart 1.3 depicts the share of commodity groups in the Central Excise revenues (FY13). Petroleum (40 per cent), Tobacco products (12 per cent), Iron and Steel (11 per cent), Cement (7 per cent), Motor vehicles (7 per cent), Chemical products (3 per cent), Machinery (3 per cent) and Plastic products (3 per cent) were the eight highest revenue earners and together, contributed 86 per cent of the total Central Excise revenue in FY13.

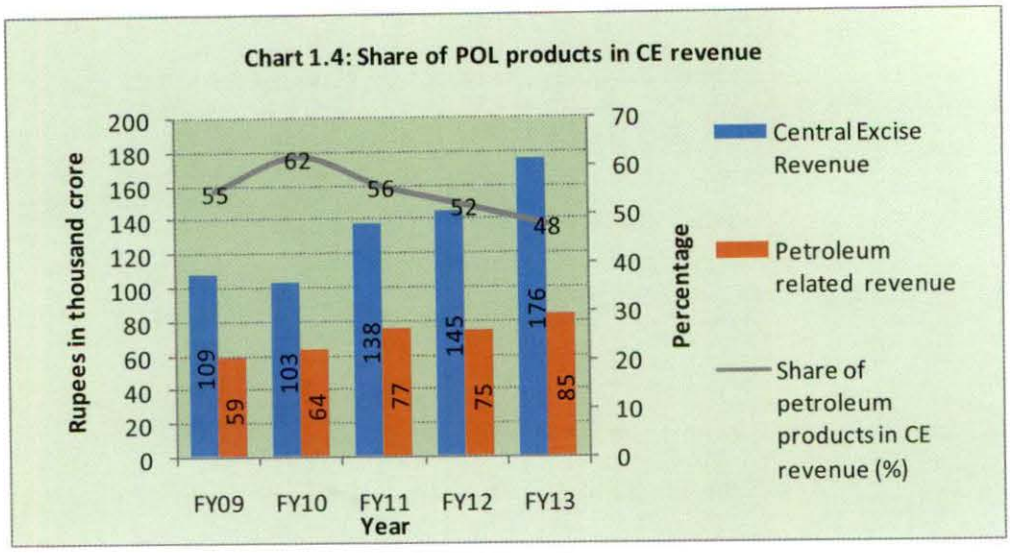
Chart 1.3 : Revenue share of major commodities



Source: Figures provided by the Ministry

Revenue from Petroleum products

1.10 Petroleum products are the largest contributors to Central Excise duties. The Central Excise revenues from petroleum products during last five years are depicted in Chart 1.4:

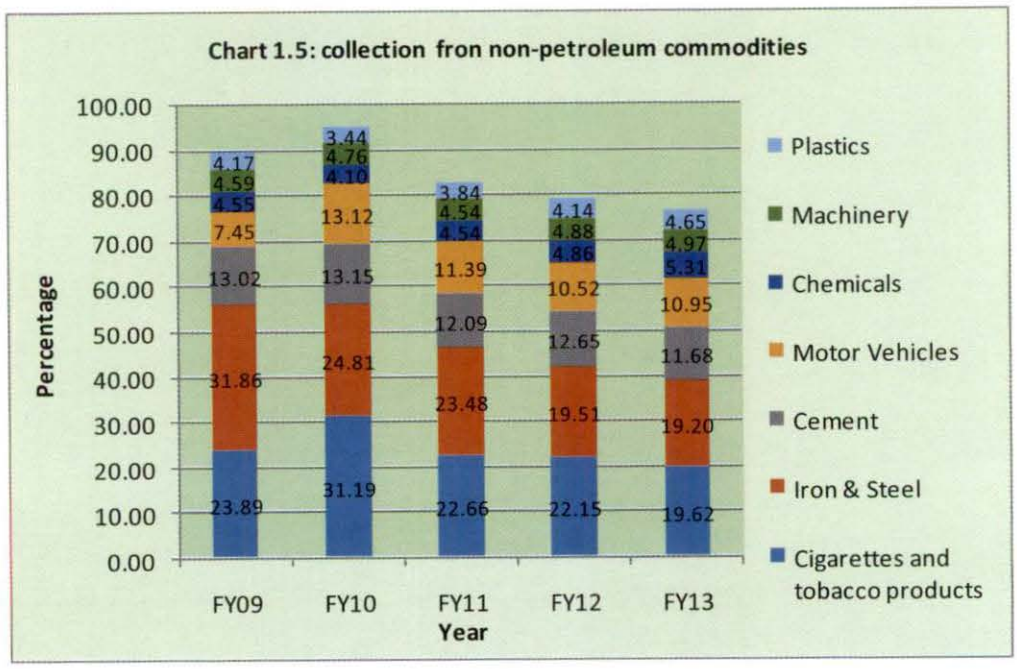


Source: Figures provided by the Ministry

Central Excise contribution from petroleum sector was around 50 per cent. Thus half of the Central Excise revenue comes from the petroleum sector companies many of which are public sector undertakings. Share of POL products for FY13 varies in charts 1.3 and 1.4. Ministry was asked to reconcile the figures in February 2014.

Contribution from main non-petroleum commodities

1.11 Chart 1.5 depicts the share of major non-petroleum products in Central Excise revenue. As can be seen from the chart, Cigarettes & tobacco products, Iron & Steel, Cement and Motor vehicles are major contributors to Central Excise revenue amongst non-petroleum products.

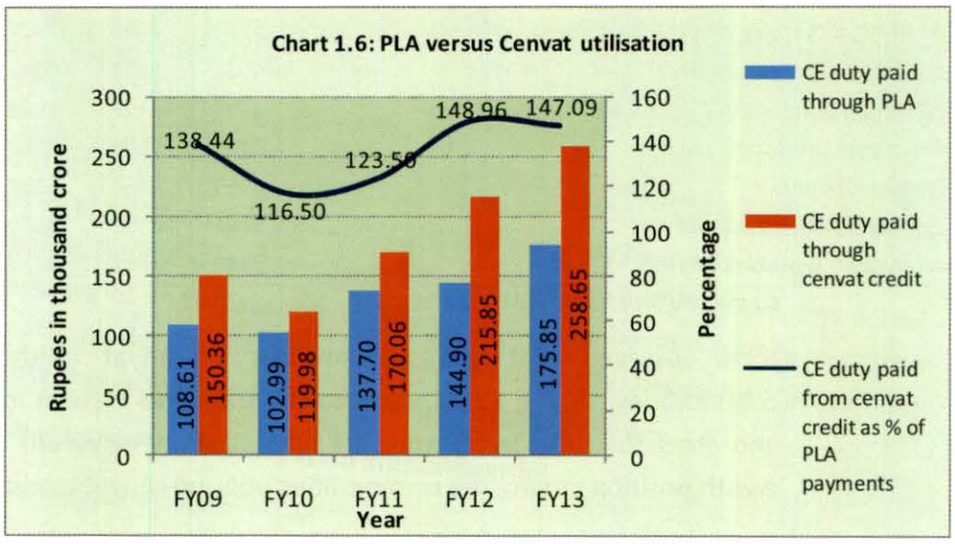


Source: Figures provided by the Ministry

Cenvat credit

Central Excise receipts vis-à-vis cenvat credit utilised

1.12 A manufacturer can avail credit of duty of Central Excise paid on inputs or capital goods as well as Service Tax paid on input services related to his manufacturing activity and can utilize credit so availed in payment of Central Excise duty. Chart 1.6 and table 1.5 shows growth of Central Excise collections through cash (PLA) and cenvat credit during FY09 to FY13.



Source: Figures provided by the Ministry

Table 1.5: Central Excise Receipts: PLA and Cenvat utilisation

Cr. ₹

Year	CE duty paid through PLA		CE duty paid through cenvat credit*		CE duty paid from cenvat credit as % of PLA payments
	Amount	% increase from previous year	Amount	% increase from previous year	
FY09	1,08,613	-	1,50,361	-	138.44
FY10	1,02,991	(-)5.18	1,19,982	(-)20.19	116.50
FY11	1,37,701	33.70	1,70,058	41.74	123.50
FY12	1,44,901	5.23	2,15,849	26.93	148.96
FY13	1,75,845	21.36	2,58,648	19.83	147.09

Source: *Figures furnished by the Ministry

Duty payment from cenvat credit increased and rose to almost 149 per cent of PLA in FY12. In general, the utilisation of cenvat credit has increased at a faster pace than actual receipts through PLA. According to the Ministry, cross utilisation of Service Tax credit in payment of Central Excise duty was the main reason for increase in utilisation of cenvat credit. We have included in the current report, 34 instances involving ₹ 149.02 crore on cenvat related issues such as incorrect availing/utilization of cenvat credit noticed during our test check.

Excise Act. The duty forgone figures in the revenue forgone statement do not include estimates of revenue forgone in respect of duty not collected on account of issue of special exemption orders.

Ministry stated that unlike general exemptions which are part and parcel of fiscal policy of the Central Government, the main object behind issue of exemption orders under section 5A(2) of the Central Excise Act is to deal with circumstances of exceptional nature. As such, the duty forgone on account of issue of special exemption orders is not being calculated towards revenue forgone figures.

The expenditure being of exceptional nature it is even more relevant that this revenue forgone should be taken into account to arrive at the total tax expenditure and the same should be reported to the Parliament.

1.16 Table 1.8 shows figures of Central Excise related tax expenditures in recent years as reported in budget documents of the Union Government. The tax expenditure for FY13 in respect of Excise duties was ₹ 2,06,188 crore (₹ 1,87,688 crore as general exemptions and ₹ 18,500 crore as area based exemptions) which is 117 per cent of revenues from Central Excise.

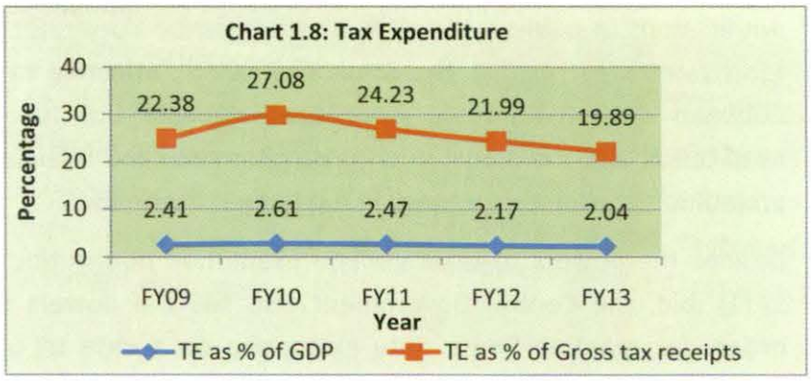
Table 1.8: Tax Expenditures (Central Excise)

Cr.₹

Year	*Total Tax expenditure (TE)	TE as % of GDP	TE as % of Central Excise	TE as % of Gross tax receipts
FY09	1,35,496	2.41	124.75	22.38
FY10	1,69,121	2.61	164.21	27.08
FY11	1,92,227	2.47	139.60	24.23
FY12	1,95,590	2.17	134.98	21.99
FY13	2,06,188	2.04	117.26	19.89

*Source: Budget Documents

Chart 1.8 depicts the tax expenditure as percentage of Central Excise revenue and GDP.



1.17 In the audit report No. 17 of 2013, Audit pointed out that the Government should endeavour to analyse the outcome of policy level general exemptions including abatements as well as specific exemptions aimed at promoting any special cause within a reasonable period of time. Such analysis must be made available as a part of the budget documents or as special reports which should be in the public domain. Such a system would enable transparency and informed public debate on the need for continuation of regular/ad hoc tax concessions.

Ministry stated that tax exemptions issued in public interest for fulfilment of various policy objectives are reviewed from time to time to assess their efficacy and remedial actions taken, where necessary. However, it is not known whether such reviews are documented and presented to the Parliament. No such document is available in the public domain.

Assessee base

1.18 "Assessee" means any person who is liable for payment of duty assessed or a producer or manufacturer of excisable goods or a registered person of a private warehouse in which excisable goods are stored and includes an authorized agent of such person. A single legal entity (company or individual) can have multiple assessee identities depending upon location of manufacturing units. Table 1.9 gives the number of Central Excise assessees during the last five years:

Table 1.9: No. of assessees in Central Excise

Year	No. of registered assessees	% growth over previous year
FY09	2,95,222	-
FY10	3,15,171	6.76
FY11	3,44,753	9.39
FY12	3,35,759	-2.61
FY13	3,48,294	3.73

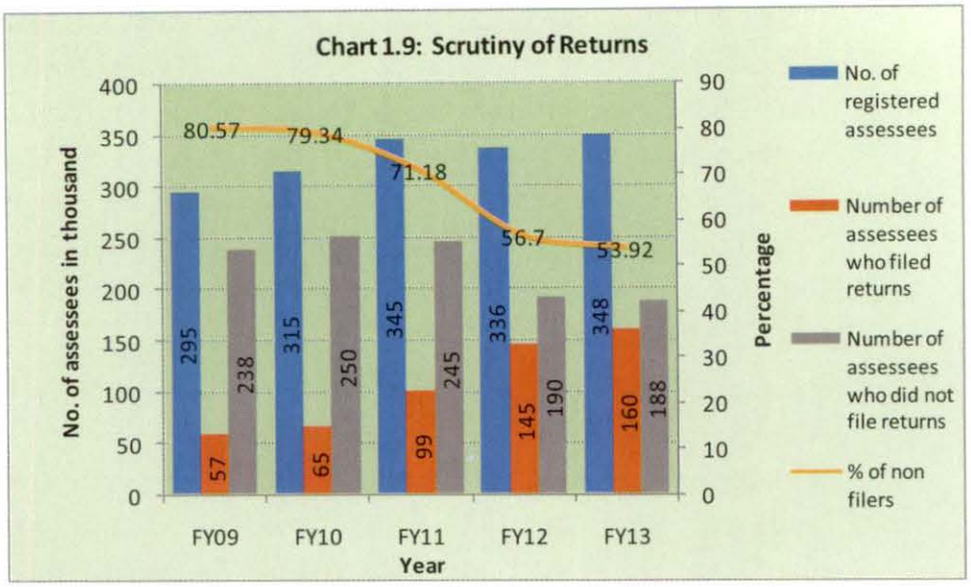
Source: Figures furnished by the Ministry[7]

The top 100 assessees (in terms of revenue contribution) comprising of oil sector companies, tobacco products, automobile, cement, steel and tyre manufacturers contribute 70 per cent of Central Excise revenues.

Reporting of tax payment by the assessees by filing of returns

1.19 Chart 1.9 depict the number of registered assessee and the assessees who filed returns.

[7]Vide Ministry letter F. No. 233/05/2013-CX7 dated 11.10.2013



Source: Figures furnished by the Ministry[8]

After introduction of self-assessment, return filed by the assessee is the only instrument to check the correctness of Central Excise duty paid to the government. Chart 1.9 indicates that more than fifty percent of registered assessees are not filing returns. There is a need to build a strong mechanism to ensure filing of returns by all registered assessees.

Tax Administration in Central Excise

Finalisation of Strategic Plan

1.20 CBEC set for itself a target date (15 December 2013) for finalisation of its Strategic Plan for the next 5 years.[9] The Strategic Plan is yet to be approved. As the Strategic Plan would guide the progress of CBEC (and subordinate formations) in the fulfilment of its Mission as well as its stated Vision, concerted efforts need to be made in this direction.

Scrutiny of Returns

1.21 CBEC introduced self-assessment in respect of Central Excise in 1996. With the introduction of self-assessment, the department also provided for a strong compliance verification mechanism with Scrutiny of Returns. Assessment is the primary function of Central Excise Officers who are to scrutinize the Central Excise returns to ensure correctness of duty payment. As per the manual for the scrutiny of Central Excise returns, a monthly report is to be submitted by the Range Officer to the jurisdictional Assistant/Deputy Commissioner of the Division regarding the number of returns received and scrutinized. Scrutiny is done in two stages i.e. preliminary scrutiny by ACES

[8] Vide Ministry letter F. No. 233/05/2013-CX7 dated 11.10.2013
[9] Section 2 and 3, RFD for 2012-13

and detailed scrutiny, which is carried out manually on the returns marked by ACES or otherwise.

Table 1.10 depicts the department's performance in respect of Central Excise returns marked by ACES for review and correction (R&C) and number of returns cleared, during the last three years.

Table 1.10: Review and correction of Central Excise Returns

Year	No. of returns filed	No. of returns sent for R&C	No. of returns cleared after R&C	No. of returns pending for R&C
FY11	7,39,789	7,20,027	1,52,155	5,67,872
FY12	17,00,773	16,39,176	6,95,098	9,44,078
FY13	29,08,856	27,78,012	19,67,536	8,10,476

Source: Figures furnished by the Ministry,

After introduction of self-assessment, scrutiny of returns (and of assessments) and internal audit are the main mechanisms available to the department to ensure correctness of duty payable. The Manual for Scrutiny of Central Excise Returns prescribes detailed scrutiny of only 5 per cent of Central Excise returns. This implies that a very small proportion of assessments are required to be scrutinised in detail.

1.22 Table 1.11 depicts the department's performance in respect of detailed scrutiny of Central Excise returns during the last three years.

Table 1.11: Detailed scrutiny of Central Excise Returns

Year	No. of returns# marked for detailed scrutiny	No. of returns where detailed scrutiny was carried out	No. of scrutinised returns where discrepancies were noticed	No. of cases where follow up action was taken	Number of returns where detailed scrutiny was pending	Age-wise breakup of pendency		
						Returns pending for between 6 months to I year	Returns pending for between I to 2 year	Returns pending for over 2 years
FY11	19735	10819	262	151	8506	8281	235	16
FY12	27404	13055	250	231	14142	13701	452	20
FY13	50039	38900	557	463	10144	8108	1684	240

Source: Figures furnished by the Ministry, # returns filed in the current year or earlier years

Despite the fact that only 5 per cent of returns are to be scrutinised in details, table 1.11 indicates that large number of returns were pending for scrutiny. Age-wise breakup shows that 1924 returns were pending for more than one year.

In the Audit Report No. 17 of 2013, Ministry stated that due to increase in the assessee base and mandatory electronic filing, number of returns for scrutiny have been increased and owing to staff shortage, completion of detailed scrutiny had not been possible. Despite the norm of scrutiny of only 5

percent returns in Central Excise, department's reluctance to complete detailed scrutiny is not tenable. An ongoing study of scrutiny of returns by Audit has revealed that scrutiny of returns is still a neglected area by the department which poses a serious threat to revenue collection.

Refunds

1.23 Table 1.12 shows the details of refund related performance of the department during last three years.

Table 1.12: Refunds in respect of Central Excise during the last three years

Cr. ₹

Year	Opening Balance		Receipts during the year		Disposals during the Year						Closing Balance	
					Refunds sanctioned during the year		Cases disposed of within 90 days	Delayed disposal	Cases where interest has been paid			
	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	No of cases	No. of Cases	Interest paid	No. of Cases	Amount
FY11	32,400	3,094.51	153,247	16,342.63	1,48,652	14,849.57	1,43,787	4,865	130	3.66	36,995	4,587.57
FY12	36,995	4,587.57	167,478	27,627.16	1,65,229	27,137.70	1,58,538	6,691	18	7.01	39,244	5,077.03
FY13	39,244	5,077.03	175,902	21,795.55	1,70,797	21,138.72	1,64,669	6,128	20	15.47	44,349	5,733.86

Source: Figures furnished by the Ministry[10]

The table indicates that number of cases where interest has been paid came down from 130 to 20 in the last three years. However, interest payment has increased from ₹ 3.66 crore to ₹ 15.47 crore. This shows that providing refunds is a neglected area. The Board may need to analyse why it had to pay a huge interest of ₹ 15.47 crore in a mere 20 number of cases. Further, in our audit report No. 17 of 2013, we had pointed out that there was a difference in figures of refunds provided by the Ministry and the Principal Chief Controller of Accounts[11]. A comparison of figures for FY11 and FY12 shows that the two set of figures still differs which need reconciliation. Additionally, the Ministry needs to clarify as to what constitute refunds as it may comprise of both excess tax collection refunded as well as refunds on trade promotions.

Table 1.13 indicates age-wise breakup of refund cases pending for more than 90 days, the period prescribed by the Board to dispose a refund case.

[10]Vide Ministry letter F. No. 233/17/2013-CX7 dated 26.11.2013

[11]Paragraph 1.62 of Audit Report No. 17 of 2013

Table 1.13: Age-wise breakup of refund cases pending beyond 90 days

Cr. ₹

Year	Cases pending for between 90 days and 180 days from date of receipt of refund application		Cases pending for between 180 days and one year from date of receipt of refund application		Cases pending for over one year from date of receipt of refund application	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
FY11	6,879	1,111.24	829	161.16	1,188	602.89
FY12	7,016	1,133.77	445	57.73	1,010	181.30
FY13	8,539	1,653.03	445	831.52	1,004	91.89

Source: Figures furnished by the Ministry

1.24 If there is a delay in sanctioning/disbursing refunds, interest is payable at prescribed rates. Such interest payment being a charge on the Consolidated Fund of India, ought to be through proper budgetary mechanism. Board may look into the refund cases pending for long and issue instructions to dispose such cases to avoid liability of interest payment.

We observed that the treatment in the Accounts of the interest paid on belated refunds was as a reduction in revenue[12]. There was no prior sanction from Parliament for this expenditure. Our Audit Reports on Union Accounts as well as on direct tax administration have commented on this issue in the past also.

In the audit report No. 17 of 2013 of the Comptroller and Auditor General of India, the Ministry acknowledged (March 2013) that the matter of interest payable on refund should be indicated as expenditure and should be reported to Parliament to bring transparency.

The Public Accounts Committee while examining the issue[13] in relation to that of the direct taxes agreed with the view of CAG that interest is an item of expenditure and should not be reduced from the gross tax collection. The PAC reiterated[14] that the Department of Revenue shall ensure that expenditure on interest on refunds is incurred in accordance with the Constitutional provisions requiring the specific Parliamentary approval.

Adjudication

1.25 Adjudication in Central Excise administration is the process of deciding an issue through departmental authorities empowered to determine issues relating to classification, valuation, refund claims, duty

[12]The refunds of Union Excise duties sanctioned are shown in the Finance Accounts as 'Deduct Refunds' distinctly as a sub-head under the respective minor heads under the duty Sub- major head.

[13]Paragraph No. 4.1.1 of Report No. 1 of 2011-12 – Union Government – Accounts of the Union Government (Civil).

[14]Report no. 96 tabled on 6 February 2014 on Contravention of Constitutional Provisions by Ministry of Finance: Expenditure incurred on Interest on Refunds without Parliamentary Approval.

payable etc. The department raises demands by way of 'show cause notices' (SCNs) to the assessees when irregularities are observed.

Outstanding cases pending for adjudication

1.26 We have depicted the amounts involved in demands for Excise duty outstanding for adjudication/recovery during the last three years in Table 1.14.

Table 1.14: Cases pending for adjudication with departmental authority

Cr. ₹

Year	Cases pending as on 31 March		Age-wise breakup of cases					
			Cases pending for less than a year		Cases pending for over one year but less than two years		Cases pending for over two years	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
FY11	14,181	13,133.42	13,078	11,412.69	733	1,622.35	170	222.59
FY12	16,463	16,338.26	14,559	13,375.58	822	1,671.04	900	1,589.19
FY13	16,125	17,020.54	14,703	13,408.72	1,016	1,468.52	326	1,353.85

Source: Figures furnished by the Ministry[15]

Table 1.14 indicates that cases involving duty of ₹ 17,020.54 crore were pending as on 31 March 2013 for adjudication. The pendency is increasing every year. Age-wise breakup indicates that 326 cases involving ₹ 1,353.85 crore were pending for more than two years. These cases need to be looked into and measures taken for clearing all long pending cases.

Table 1.15 below shows number of cases of pending Show cause notices (SCNs) is more than fifteen thousand with unconfirmed demands of ₹ 16,140 crore.

Table 1.15: Number of SCNs pending and amount involved

Cr. ₹

Year	Reasons for issuance of SCNs												Total	
	Failure of Registration		Late filing of ER-I returns		Delayed payment of Central Excise duty		Failure to pay Central Excise duty		Suppression of value of dutiable goods		Others			
	Nos.	Amt.	Nos.	Amt.	Nos.	Amt.	Nos.	Amt.	Nos.	Amt.	Nos.	Amt.	Nos.	Amt.
FY11	30	20.16	1082	1.31	220	83.66	3260.80	4095.23	1600	1807.77	7192	4963.54	13501	11131.92
FY12	34	16.84	1914	0.06	118	81.36	3115.32	4034.30	1984	2646.31	8731	6480.97	15887	13754.31
FY13	31	9.93	2682	0.19	167	67.43	3384.07	6462.91	1800	3976.67	7779	5379.13	15811	16140.10

Source: Figures furnished by the Ministry

Pendency of Appeals

1.27 There are a number of appellate forums, departmental as well as judicial, available to the assessees where appeal can be made against the decision of departmental authorities and lower judicial forums. Even

[15] Vide Ministry letter F. No. 233/17/2013-CX7 dated 26.11.2013

department goes for appeal in case of a decision which is given against the revenue. Table 1.16 indicates the cases pending in various forums during last three years.

Table 1.16: Appeals relating to Central Excise and Service tax pending in various forums

Cr. ₹

Year		Forum	Appeals pending at the end of the year					
			Details of party's appeals		Details of departmental appeals		Total	
			No. of appeals	Amount Involved (Cr.₹)	No. of appeals	Amount Involved (Cr.₹)	No. of appeals	Amount Involved (Cr.₹)
FY 11	(a)	Commissioner (Appeals)	20438	4207.73	3444	633.13	23882	4840.86
	b(i)	CESTAT	28982	30566.80	17112	8997.35	46094	39564.15
	(ii)	High Court	7630	4886.14	7581	5996.55	15211	10882.69
	(iii)	Supreme Court	750	1225.11	1925	6030.18	2675	7255.29
	(iv)	Total Courts + CESTAT	37362	36678.05	26618	21024.08	63980	57702.13
		Grand Total	**57800**	**40885.78**	**30062**	**21657.21**	87862	62542.99
FY 12	(a)	Commissioner (Appeals)	19485	4611.83	2453	381.07	21938	4992.90
	b(i)	CESTAT	29252	39427.84	14982	9903.87	44234	49331.71
	(ii)	High Court	5356	4087.41	5507	5203.37	10863	9290.78
	(iii)	Supreme Court	642	1060.02	1575	5896.21	2217	6956.23
	(iv)	Total Courts + CESTAT	35250	44575.27	22064	21003.45	57314	65578.72
		Grand Total	**54735**	**49187.10**	**24517**	**21384.52**	79252	70571.62
FY 13	(a)	Commissioner (Appeals)	23233	7103.14	2965	557.59	26198	7660.73
	b(i)	CESTAT	35694	63278.29	15832	12099.51	51526	75377.80
	(ii)	High Court	5631	6843.69	5430	5527.35	11061	12371.04
	(iii)	Supreme Court	760	1428.56	1632	5743.01	2392	7171.57
	(iv)	Total Courts + CESTAT	42355	71550.54	22894	23369.87	65249	94920.41
		Grand Total	**65588**	**78653.68**	**25859**	**23927.46**	91447	102581.14

Source: Figures furnished by the Ministry

The Table indicates that cases involving revenue of more than one lakh crore were pending in appeals. The amount is increasing every year. As no action can be initiated for recovery of revenue till the appeal is pending, locking up of revenue of Rupees one lakh crore is a matter of concern. National Litigation Policy introduced in June 2010 is based on the recognition that Government and its various agencies are the predominant litigants in courts and Tribunals in the country. Its aim is to transform Government into an efficient and responsible litigant. The budget speech for FY12 informed that steps had been initiated in FY11 for reducing litigation and focusing attention on high revenue cases. Instructions have been issued raising limit of tax

effects below which tax disputes will not be pursued by Government in higher Courts of Appeal. These measures are expected to enhance productivity of resources employed in raising revenue.

Table 1.17: Appeals disposed of during last three years

Cr. ₹

Year		Forum	Appeals disposed of during the years					
			Details of party's appeals		Details of departmental appeals		Total	
				Amount Involved (Cr.₹)	No. of appeals	Amount Involved (Cr.₹)	No. of appeals	Amount Involved (Cr.₹)
FY 11	(a)	Commissioner (Appeals)	3484	631.82	24951	4372.38	28435	5004.20
	b(i)	CESTAT	1933	1773.06	253	3253.12	2186	5026.18
	(ii)	High Court	824	769.41	879	1032.75	1703	1802.16
	(iii)	Supreme Court	87	784.28	29	185.44	116	969.72
	(iv)	Total Courts + CESTAT	2844	3326.75	1161	4471.31	4005	7798.06
		Grand Total	**6328**	**3958.57**	**26112**	**8843.69**	**32440**	**12802.26**
FY 12	(a)	Commissioner (Appeals)	4975	1137.87	19630	3953.69	24605	5091.56
	b(i)	CESTAT	5427	1762.99	11313	7050.22	16740	8813.21
	(ii)	High Court	2874	2476.73	3806	3240.24	6680	5716.97
	(iii)	Supreme Court	680	1296.60	309	862.44	989	2159.04
	(iv)	Total Courts + CESTAT	8981	5536.32	15428	11152.90	24409	16689.22
		Grand Total	**13956**	**6674.19**	**35058**	**15106.59**	**49014**	**21780.78**
FY 13	(a)	Commissioner (Appeals)	2724	502.95	21392	4315.86	24116	4818.81
	b(i)	CESTAT	1540	840.32	5767	7300.36	7307	8140.68
	(ii)	High Court	687	646.34	1813	3812.23	2500	4458.57
	(iii)	Supreme Court	104	1187.72	88	72.71	192	1260.43
	(iv)	Total Courts + CESTAT	2331	2674.38	7668	11185.30	9999	13859.68
		Grand Total	**5055**	**3177.33**	**29060**	**15501.16**	**34115**	**18678.49**

Source: Figures furnished by the Ministry

Table 1.17 indicates that departmental efforts, though significant, is showing a declining trend in disposal of cases. In the audit report No. 17 of 2013 of the Comptroller and Auditor General of India, the Ministry intimated a number of measures taken to expedite the disposal of cases. However, the pendency at the end of FY 13 indicates that number of cases pending, are on the increase. Working of the National Litigation Policy needs to be analysed carefully and a time bound action plan put in place to dispose of long pending cases.

Call book

1.28 Extant circulars on the subject envisage that cases that cannot be adjudicated due to certain reasons such as the department having gone in

appeal, injunction from courts, contesting of CERA audit objections etc may be entered into the call book. Member (CX), vide his D.O.F.No. 101/2/2003-CX-3 dated 03.01.2005, had emphasized that call book cases should be reviewed every month. Director General of Inspection (Customs and Central Excise) has reiterated the need for monthly review in his letter dated 29 December 2005 stating that review of call book may result in substantial reduction in the number of unconfirmed demands in call book.

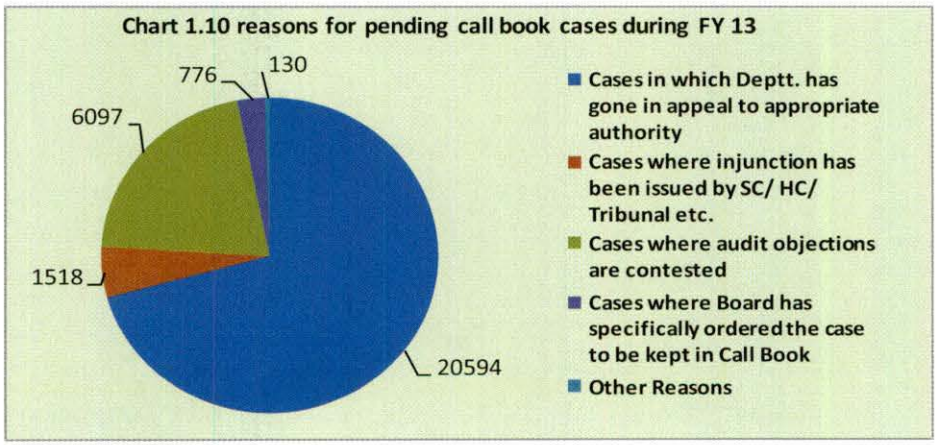
We tabulated the performance of the department in respect of call book clearance in Central Excise during recent years and noted that the pendency of cases in the call book is still very high indicating the need for close monitoring of the process of review of call book items. During FY 13, the number of cases pending in call book had crossed 29000.

Table 1.18: Call book cases pending

Year	New Cases transferred to call book during the year	Disposals during the year	Closing balance at the end of year	Revenue involved (₹ in Cr)	Age-wise break up of pendency at the end of the year			
					Less than one year	1-2 years	2-5 years	Over 5 Years*
FY11	6,746	3,399	24,863	42,207.90	7,133	8,423	6,235	3,069
FY12	7,168	4,767	24,081	46,727.46	7,112	9,069	6,498	3,775
FY13	7,002	5,217	29,115	53,521.86	7,434	9,754	7,627	4,409

Source : Figures furnished by the Ministry[16]

Chart 1.10 depicts the reasons for cases pending in call books during FY 13. As per Board's circular dated 14.12.1995, only four categories of cases can be kept in call book. However, the Chart 1.10 indicates that 130 cases were pending for other reasons. Ministry may look into these cases closely to ascertain how many of these need to be really retained in the call book.



Source : Figures furnished by the Ministry

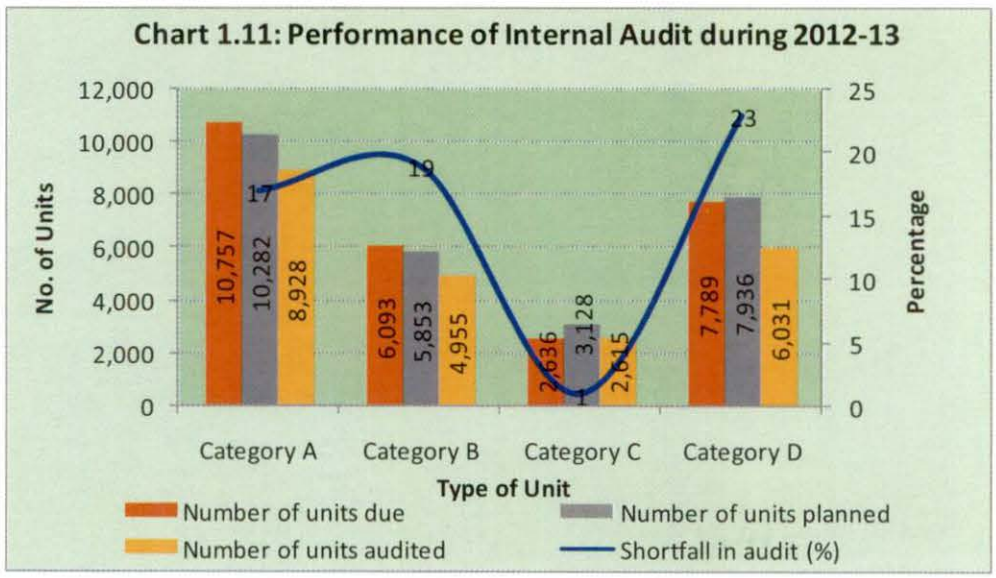
[16]Vide Ministry letter F. No. 233/17/2013-CX7 dated 26.11.2013

Audit of assessees by department

1.29 Modernisation of indirect tax administration in India is based on the Canadian model. The audit system EA 2000 had four distinct features: scientific selection after risk analysis, emphasis on pre-preparation, scrutinising of business records against statutory records and monitoring of audit points.

Audit processes include preliminary review, gathering and documenting systems' information, touring the plant, evaluating internal controls, analysing risks to revenue and trends, developing audit plan, actual audit, preparation of audit findings, reviewing the results with the assessee/range officer/Divisional Assistant Commissioner and finalisation of the report. Creative use of computer assisted audit tools, especially in the audit of large assessee units, is a part of the audit process.

Chart 1.11 depicts number of Central Excise units due for audit (during FY13) by audit parties of the Commissionerates vis-à-vis units audited.



Source : Figures furnished by the Ministry

The above chart indicates that there was shortfall in coverage of 'category A' units (mandatory units) and 'category B' units (high revenue non-mandatory units). On the other hand, the department planned 'category C' and 'D' units (low revenue non-mandatory units) in excess of units due for audit. There is a shortfall in number of units actually audited in comparison to the units planned. While units contributing higher revenue were being neglected, units contributing meagre revenue were audited which reflects poorly on the planning process.

Ministry intimated that directions have been issued to Chief Commissioners for curtailing the practice of auditing large number of non-mandatory units at the cost of mandatory units.

Quality of internal audit

1.30 We had earlier observed non-adherence to prescribed norms as regards desk review, verifications and coverage of mandatory units[17]. We observed that even where internal audit had conducted audit in assessee premises, there were omissions (non-detection of undervaluation of excisable goods and irregular availing of Cenvat credit) to the tune of ₹ 1.72 crore. Two such cases have been pointed out in paragraphs 3.4.1 and 3.4.2 of this Report.

Ministry intimated that department conducts Quality Assurance Review (QAR) through the directorate of Audit annually for all Commissionerates and grading is awarded which is published in the annual report of Directorate of Audit. Ministry also stated that efforts were being made to further streamline and strengthen this aspect.

Provisional Assessment

1.31 Rule 7 of the Central Excise Rules 2002 envisage that where the assessee is unable to determine the value of excisable goods or the rate of duty applicable thereto, he may request the Assistant/Deputy Commissioner of Central Excise for payment of duty on provisional basis. The Assistant/Deputy Commissioner of Central Excise finalize the assessment when the relevant information is available. Table 1.19 indicates the status of provisional assessment during the last three years.

Table 1.19: Provisional assessment cases pending during last three years

Cr. ₹

Year	Cases pending at the end of year	Revenue involved	Age-wise break up of pendency			
			Less than 6 Months	6 – 12 Months	I year - 5 years	Over 5 Years
FY11	295	469.08	120	63	198	106
FY12	374	495.61	137	129	217	107
FY13	432	484.83	143	101	308	107

Source: Figures furnished by the Ministry.

Table 1.19 indicates that more than 100 cases are pending for more than five years. Ministry may look into the long pending cases and issue instructions to finalise them.

[17] C & AG's Audit Report no.25 of 2011-12 on 'Working of Commissionerates, divisions and ranges'

Anti-Evasion

1.32 The Central Excise Commissionerates and Director General of Central Excise Intelligence (DGCEI) work to detect and prevent evasion of central excise duty and service tax. While the Commissionerates, with their extensive data base about units in their jurisdiction and presence in the field are the first line of defence against duty evasion, DGCEI specialises in collecting specific intelligence about evasion of substantial revenue. The intelligence so collected is shared with the Commissionerates and investigations are also undertaken by DGCEI in cases having all-India ramification. Table 1.20 indicates anti-evasion cases detected by DGCEI during last three years.

Table 1.20: Anti-Evasion performance of DGCEI during last three years

Cr. ₹

Year	Detection		Voluntary Payment during Investigation
	No. of cases	Amount	Amount
FY11	732	1,355.65	137.19
FY12	450	1,139.63	255.23
FY13	458	2,940.22	1,018.96

Source: Figures furnished by the Ministry.

It can be seen that while the number of anti-evasion cases detected almost remained stagnant during last two years, the amount evaded doubled. Voluntary payments made during investigation too increased.

1.33 Table 1.21 indicates anti-evasion cases detected by the Commissionerates during last three years.

Table 1.21: Anti-Evasion performance of Commissionerates during the last three years

Cr. ₹

Year	Detection		Voluntary Payment during Investigation
	No. of Cases	Amount	Amount
FY11	2,854	5,564.47	711.31
FY12	2,877	2,787.98	965.17
FY13	2,150	3,415.29	482.48

Source: Figures furnished by the Ministry.

At the Commisionerates level, the number of cases detected came down in FY 13 in comparison to previous year. Voluntary payment during investigation in FY 13 reduced by almost 50 per cent.

Collection by departmental efforts

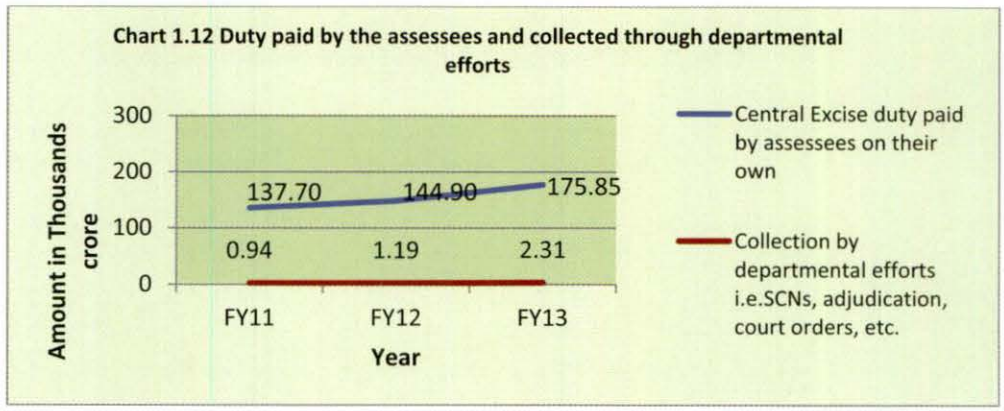
1.34 In the self-assessment regime, assessees determine and pay duty on their own. Some revenue recovery is also effected through departmental efforts. Table 1.22 shows duty paid by the assessees and additional collection through departmental efforts.

Table 1.22: Collection by departmental efforts

Cr. ₹

Year	Central Excise duty paid by assessees on their own*	Collection by departmental efforts i.e.SCNs, adjudication, court orders, etc.#
FY11	1,37,701	944.88
FY12	1,44,901	1,194.93
FY13	1,75,845	2,310.15

Source: * Finance accounts of respective years; #Figures furnished by the Ministry.



Arrears of Tax

1.35 The law provides for various methods of recovery of revenue demanded but not realised. These include adjusting against amounts, if any, payable to the person from whom revenue is recoverable, recovery by attachment and sale of excisable goods and recovery as arrears of land revenue through the district revenue authority. Table 1.23 indicates performance of department in respect of recovery of revenue arrears.

Table 1.23: Arrear realization

Cr. ₹

Year	Amount in arrears at the commencement of the year	Collection during the year	Arrears pending recovery at the end of the year	Collection as % of arrears at the commencement of the year
FY11	25,864.84	1,170.06	30,029.59	4.52
FY12	30,029.59	1,132.59	34,654.65	3.77
FY13	34,654.65	1,884.10	47,621.52	5.44

Source: Figures furnished by the Ministry

Table 1.23 indicates that the arrears pending for recovery reached to 47,621 crore in FY13 while collection was only 1,884 crore during the year. Ministry intimated that a number of steps including follow up of cases in judicial and tax recovery tribunals, computerisation of database of revenue in arrear, creating team of dedicated staff for arrear recovery, etc. have been taken. However, table 1.23 shows that pendency of arrear is increasing every year and the recovery during FY13 was a meagre 5 per cent. Board may analyse the effectiveness of its action taken.

Cost of collection

1.36 We have depicted the expenditure incurred during the last five years in collecting Central Excise duty and Service Tax along with the corresponding figures of total collection in Table 1.24. Despite the fact that there is self-assessment in Central Excise and assessee has to declare the duty paid through returns and mandatory filing of returns electronically and increase in payment by electronic means, cost of collection is on the rise in absolute terms.

Table 1.24: Central Excise and Service Tax receipts and cost of collection

Cr. ₹

Year	*Receipts from Central Excise	*Receipts from Service Tax	Total receipts	#Cost of collection	Cost of collection as % of receipts
FY09	1,08,613	60,941	1,69,554	1,650	0.97
FY10	1,02,991	58,422	1,61,413	2,127	1.32
FY11	1,37,901	71,016	2,08,917	2,072	0.99
FY12	1,44,540	97,356	2,41,896	2,262	0.94
FY13	1,75,845	1,32,601	3,08,446	2,446	0.79

Source: *Union Finance Accounts of respective years, #Source: Figures furnished by the Ministry

Notwithstanding automation and extensive use of ICT, cost of collection continues to show a rising trend. Expressed in terms of percentage of receipts, cost of collection was in the range of approximately 1 percent (FY11 and FY 12). During FY 13, however, cost of collection came down to 0.79 percent.

Impact of Audit Reports

Major irregularities reported in Compliance Audit Reports during the last five years

1.37 During the last five years, we reported several audit observations as shown in Table 1.25.

Table 1.25: Major Irregularities pointed out in CAG's Audit – Central Excise

Cr. ₹

Year	Cess not levied	Demand not raised	Non/ short levy of duty	Non levy of interest and penalty	Exemption	Valuation of excisable goods	Cenvat credit	Classification of excisable goods	Topic of special importance	Misc	Total
FY08	4.25	49.18	292.32	1.47	135.94	39.28	180.62	-	-	-	703.06
FY09	1.84	-	12.95	12.64	80.26	12.12	-	-	-	22.58	142.39
FY10	-	-	13.55	6.74	4.12	114.56	120.75	-	-	50.23	309.95
FY11	-	-	-	8.48	-	22.06	92.39	-	-	5.26	128.19
FY12	-	-	21.71	9.32	-	-	32.07	-	-	6.22	69.32

Revenue impact - Central Excise

1.38 During the last five years (including the current year's report), we reported 533 audit paragraphs involving Central Excise duty totalling ₹ 894.83 crore. Of these, the Government had accepted audit observations in 442 audit paragraphs involving ₹ 529.35 crore and had recovered ₹ 159.05 crore. We have furnished the details in Table 1.26.

Table 1.26: Objections featured in last five years' compliance Audit Reports – Central Excise

Cr. ₹

Year of AR	Paragraphs included		Paragraphs accepted and /or rectificatory action taken						Recoveries effected					
			Pre printing		Post printing		Total		Pre printing		Post printing		Total	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
FY09	75	156.84	41	48.30	6	2.15	47	50.45	24	27.59	3	2.00	27	29.59
FY10	150	327.77	91	62.07	7	9.58	98	71.65	55	29.12	6	7.50	61	36.62
FY11	159	158.00	133	117.64	15	34.76	148	152.40	67	46.60	3	0.19	70	46.79
FY12	87	69.32	85	67.07	6	8.34	91	75.41	48	24.72	1	0.04	49	24.76
FY13	62	182.90	58	179.44	-	-	58	179.44	36	21.29	-	-	36	21.29
Total	**533**	**894.83**	**408**	**474.52**	**34**	**54.83**	**442**	**529.35**	**230**	**149.32**	**13**	**9.73**	**243**	**159.05**

Follow-up on Audit Reports

1.39 Public Accounts Committee, in their Ninth Report (Eleventh Lok Sabha) desired submission of remedial/corrective Action Taken Notes (ATNs) on all paragraphs of the Reports of the Comptroller and Auditor General of India, duly vetted by us, within a period of four months from the date of the laying of the Audit Report in Parliament.

Review of outstanding action taken notes on paragraphs relating to Central Excise contained in earlier Audit Reports on indirect taxes indicated that submission of remedial Action Taken Notes (ATNs) in respect of Ministry of Finance, Ministry of Textiles and Ministry of Commerce and Industry is satisfactory. The Ministries have furnished ATNs in respect of all objections featured in earlier Compliance Audit Reports.

Chapter II

Non-Compliance with Rules and Regulations

2.1 We examined the records maintained by the assessees in relation to the payment of Central Excise duty and checked the correctness of duty payment and availing of cenvat credit. We noticed cases of irregular availing and utilisation of cenvat credit, non/short payment of Central Excise duty involving revenue of ₹ 66.76 crore. We communicated these observations to the Ministry through 54 draft audit paragraphs. The Ministry/ Commissionerate accepted (March 2014) the audit observations in 49 draft audit paragraphs and initiated/completed corrective action in all these cases involving revenue of ₹ 62.98 crore. We have furnished the details of these paragraphs in Appendix III.

2.2 Non-payment/Short payment of Central Excise duty

2.2.1 Non-payment of Central Excise duty

Rule 8 of the Central Excise Rules, 2002 envisages that the duty on the goods removed from the factory during a month shall be paid by the 5th day of the following month and for the month of March by 31st day of March. If an assessee fails to pay the amount of duty by due date, he shall be liable to pay the outstanding amount along with interest. Further, sub-rule 3 (A) of rule 8, as amended by Notification dated 1 June 2006 provides that if the assessee defaults in payment of duty beyond thirty days from the due date the assessee shall pay excise duty for each consignment at the time of removal, without utilising the cenvat credit till the date the assessee pays the outstanding amount including interest thereon and in the event of any failure, it shall be deemed that such goods have been cleared without payment of duty and the consequences and penalties as provided in these rules shall follow.

M/s Sree Metaliks Ltd., Angul in Bhubaneswar–I Commissionerate defaulted in payment of duty during January 2011 to March 2011. As per the provisions cited above, the assessee was liable to follow consignment-wise clearance from March 2011 by debiting duty in PLA and without utilizing cenvat credit. However, it was noticed that assessee took the credit in PLA before actual deposit of the amount in bank and debited the duty consignment wise for subsequent clearances which was not in order. Hence, the clearance made from March 2011 to August 2011 involving duty of ₹ 91.57 lakh was irregular which needed to be recovered along with interest and penalty.

When we pointed this out (March 2013), the Ministry replied (February 2014) that ₹ 91.57 lakh need not be recovered from the assessee as it already stood

paid though belatedly. Only interest and penalty for delayed payment of duty may be recoverable. SCN for recovery of duty, interest and penalty had been issued.

However, the Ministry did not provide any comments regarding the duty of ₹ 56.42 lakh for January 2011 to March 2011 which was yet to be paid.

2.2.2 Short payment of central excise duty due to under valuation

As per rule 8 of Central Excise (Valuation) Rules 2000, where the excisable goods are not sold by the assessee but are used for consumption by him or on his behalf in the production or manufacture of other articles, the valuation shall be one hundred and ten per cent of the cost of production or manufacture of such goods. Section 11AB of the Central Excise Act 1944 envisages that where any duty of excise has not been levied, the person, in addition to the duty, is liable to pay interest from the first day of the month succeeding the month in which the duty ought to have been paid.

M/s Jindal India Ltd in Kolkata II Commissionerate, cleared MS/ERW tubes & Pipes of Steel (Black) on stock transfer basis to their sister unit at Ghusuri during the period 2010-11 on payment of duty on lower assessable value than the value as determined and certified by Chartered Accountant. This resulted in short payment of duty of ₹ 27.65 lakh besides interest as applicable.

When we pointed this out (September 2011), the Commissionerate while not admitting the objection (October 2011) stated that the assessee followed the practice of paying duty on the basis of CAS-4 certificate prepared and certified by Chartered Accountant for a month on goods cleared prospectively for the period from 11th of the next month to the 10th of the month succeeding the next month. The Commissionerate further added that on some occasions, the assessee had also paid higher duty due to adoption of such practice.

The contention of the Commissionerate is not tenable since duty on goods cleared to sister unit for a period should have been paid on the value determined as per CAS-4 for the said period. As assessee paid duty on a lesser value than the value applicable as per CAS-4 for the said period, differential duty on the basis of CAS-4 along with interest was required to be paid irrespective of the fact of paying higher duty by assessee for earlier occasions for which refund provisions were applicable.

The Commissionerate intimated (September 2012 & October 2012) issuance of SCN for an amount of ₹ 87.68 lakh along with interest and penalty.

Ministry stated (September 2013) that the cost of production for the goods consumed captively is determined on the basis of actual cost incurred in the previous month by the assessee and any difference or short payment seems allowable as it is a continuous process.

The reply of the Ministry is not tenable as duty on the goods cleared to a sister unit for a particular period should be paid on the value determined as per CAS-4 certificate for the said period only. Therefore, the assessee was liable to pay differential duty.

2.2.3 Undervaluation of goods cleared to related party.

Rule 8 read with proviso to rule 9 of the Central Excise Valuation (Determination of Price of excisable Goods) Rules, 2000, stipulates that where excisable goods are not sold by the assessee but are consumed by the assessee or on behalf of the assessee by a related person for manufacture of other articles, the assessable value of such goods shall be 110 per cent of the cost of production or manufacture of such goods. Further, the Board had clarified (13th February 2003) that the value of goods consumed captively should be determined in accordance with the Cost Accounting Standards (CAS-4) method only. Further, section 11AB of Central Excise Act 1944, requires payment of interest on delayed payment of duty.

M/s Hindustan Polyamides and Fibres Ltd under Pune III Commissionerate cleared compressed hydrogen gas to its other unit located at Koregaon Bhima for captive consumption during the period April 2008 to March 2011. However, the assesse did not prepare CAS-4 for arriving at the assessable value for such clearances as per the provisions mentioned above. This resulted in undervaluation of goods cleared for captive consumption and short payment of duty of ₹ 10.63 lakh which was recoverable with interest.

When we pointed this out (July 2011), the assesse paid duty of ₹ 10.63 lakh in July 2011. Ministry confirmed the recovery of amount with interest (February 2014); however, it did not admit the objection and stated that in the era of self assessment the irregularity could have come to fore only at the time of internal audit. The reply was not relevant to the audit objection and the Ministry was requested (March 2014) to clarify whether it was of the view that the assessee, by not preparing the CAS-4 certificate followed the correct practice.

2.3 Cenvat credit

2.3.1 Irregular availing of cenvat credit on ineligible inputs/input services

As per Rule 2(k) of Cenvat Credit Rules 2004, input means all goods used in the factory by the manufacturer of the final product but excludes any goods

which have no relationship whatsoever with the manufacture of a final product.

M/s Grasim Industries Ltd under Commissionerate of Central Excise in Indore availed cenvat credit of duty paid on angle, nut, bolt, channel, electrode, plates, sheets, etc. to the tune of ₹ 34.64 lakh during 2011-12. As these items cannot be considered as inputs, availing of cenvat credit on these items was incorrect and was recoverable along with interest.

When we pointed this out (December 2012), the Ministry accepted the objection and intimated (November 2013) that an SCN for ₹ 1.16 crore was being issued for wrongly availed cenvat credit with interest and penalty.

2.3.2 Incorrect availing of cenvat credit for duty paid on exempted goods

CBEC clarified on 4 January 1991 that in the event of manufacturer availing cenvat credit and paying duty on exempted/nil rate of duty final products on his volition, the payment would not be in the nature of duty and were to be treated as deposits and hence credit of duty paid on such inputs was not admissible. Further, as per notification No. 6/2002-CE dated 1 March 2002 as amended vide notification No.4/2006-CE dated 1 March 2006, Iron ore is chargeable to nil rate of duty.

M/s Tata Sponge Iron Ltd in Bhubaneswar-II Commissionerate, engaged in manufacture of sponge iron, availed cenvat credit of ₹ 2.11 crore on iron ore concentrate purchased during April 2008 to March 2009. Since the iron ore concentrate was exempt from duty, availing cenvat credit on the concentrate by the assessee was irregular. The cenvat credit availed irregularly i.e. ₹ 2.11 crore was to be reversed along with interest and penalty.

When we pointed this out (July 2009), the Commissionerate intimated (March 2012) that SCN for ₹ 3.31 crore was issued in June 2010 covering the period from June 2009 to April 2010.

Ministry did not admit the audit objection and stated (August 2013) that the decision of CESTAT in the case of M/s SAIL cited in {2003 (154) ELT 65 (Tri-Kolkata)} that iron ore fines and sized iron ore not liable to duty was not accepted by the Board and an appeal was pending in the Supreme Court.

The reply of the Ministry is not tenable as the said appeal had already been decided by the Supreme Court in {2012(283) ELT A112 (SC)} rejecting the appeal of the revenue thereby holding that no duty was liable on iron ore concentrate. Therefore, in view of the Board circular cited supra, credit was not admissible on duty paid on iron ore concentrate.

Chapter III

Effectiveness of Internal Controls

3.1 Internal control is an integral process carried out by an entity's management and personnel. It addresses risks and provides reasonable assurance that in pursuit of the entity's mission, the entity is achieving the following general objectives:

a) executing orderly, ethical, economical, efficient and effective operations;
b) fulfilling accountability obligations;
c) complying with applicable laws and regulations;
d) safeguarding resources against loss, misuse and damage.

3.2 We noticed that due processes were not followed by departmental officers in certain cases involving revenue of ₹ 116.03 crore. We communicated these observations to the Ministry through 8 draft audit paragraphs. The Ministry accepted (March 2014) the audit observations in 6 draft audit paragraphs and initiated/completed corrective action in 3 cases involving revenue of ₹ 2.57 crore. We have furnished the details of these paragraphs in Appendix IV. The Ministry is yet to respond to 1 draft audit paragraph (March 2014).

3.3 Scrutiny of returns

CBEC introduced self-assessment of Central Excise duties payable in 1996 and for Service Tax in 2001. With the introduction of self-assessment, the department also provided for a strong compliance verification mechanism through scrutiny of returns/ assessments, internal audit and anti-evasion. The crucial role of scrutiny of assessments as highlighted in the Report of the Task force on Indirect Taxes 2002 states "It is the view that assessment should be the primary function of the Central Excise Officers. Self-assessment on the part of the taxpayer is only a facility and cannot and must not be treated as a dilution of the statutory responsibility of the Central Excise Officers in ensuring correctness of duty payment. No doubt audit and anti-evasion have their roles to play, but assessment or confirmation of assessment should remain the primary responsibility of the Central Excise Officers".

Audit observed that scrutiny of returns was a neglected area. Audit detected irregularities in the cases illustrated below which could have been detected had the department conducted the scrutiny as per the prescribed procedures.

3.3.1 Failure to detect irregularly availed cenvat credit

As per Manual of Scrutiny of Central Excise Returns, 2008, the department plays a pivotal role in ensuring correct availing of cenvat credit on inputs, capital goods, and input services in terms of the Cenvat Credit Rules 2004. As per Rule 9(2) of the Cenvat Credit Rules 2004, no cenvat credit shall be taken unless all the particulars as prescribed under the Central Excise Rules, 2002 or the Service Tax Rules, 1994, as the case may be, are contained in the said document.

Range Officer of Range-IV, Howrah West-II Division in Haldia Commissionerate scrutinised some high value input service invoices of M/s Vrinda Engineers Pvt Ltd., on which cenvat credit was availed by the assesee. Audit also scrutinised those invoices and found that two invoices not addressed to any registered premises of the assessee on which cenvat credit of ₹ 18.85 lakh was availed during the month of June 2010. This resulted in irregular availing of cenvat credit of ₹ 18.85 lakh. Despite detailed scrutiny, the department failed to detect the irregularly availed cenvat credit.

When we pointed this out (May 2012), the Commissionerate admitted the objection and intimated (December 2013) SCN was under issue. The Ministry confirmed (January 2014) issuance of SCN to recover the incorrectly availed cenvat credit. However, it did not admit the departmental lapse stating that the irregular availing of cenvat credit could not be detected during scrutiny of periodical returns as the assessee had not submitted these documents to the department with the returns.

The Ministry's contention is not acceptable as the Range Officer had specifically called for the objected invoices (August 2011) for scrutiny and the assessee had furnished the same to the department (September 2011).

3.3.2 Irregular payment of duty by wrong utilization of cenvat credit

As per guidelines contained in para 2.1.1 A(19) of the Manual for the Scrutiny of Central Excise Returns, the departmental officer scrutinising Central Excise returns, is to take action in cases where assessee has not paid duty beyond thirty days from the due date. Rule 8(3A) of the Central Excise Rules 2002, stipulates that if an assessee defaults in payment of duty beyond thirty days from the due date, then he shall pay Central Excise duty for each consignment at the time of removal, without utilizing the cenvat credit till the date he pays off the outstanding amount including interest thereon. In the event of any failure, it shall be deemed that such goods have been cleared without payment of duty and the consequences and penalties as provided in the rules shall follow.

M/s Carbon Resources Pvt. Ltd. Unit-II, Begusarai in Patna Commissionerate made delayed payment of duty for the months of March 2011, October 2011 and March 2012 by more than 30 days. The assessee was required to pay duty in cash for each consignment cleared. However, the assessee utilized cenvat credit of ₹ 12.14 lakh for payment of duty on 18 consignments during the period of defaults beyond 30 days. Such payment from cenvat credit was irregular and recoverable along with interest and penalty.

Department failed to take any action to instruct the assessee to pay duty consignment wise without utilizing the cenvat credit which resulted in irregular utilization of cenvat credit.

While we pointed this out in September 2012, the Ministry admitted the audit objection (March 2014) and intimated the assessee paid the amount of ₹ 12.14 lakh along with interest of ₹ 0.49 lakh. Ministry further stated that instruction had been issued to the field formations to invoke provision of rule 8(4) in case of such defaults.

3.4 Internal Audit

One of the main compliance verification mechanisms in the department is the internal audit which carries out audit at assessee premises by following prescribed procedures including selection of assessee units based on risk parameters and scrutiny of records of the assessee to ascertain the level of compliance with the prescribed rules and regulations. Internal audit is empowered under Central Excise and Service Tax Rules, to access the records of the assessees at their registered premises. The Directorate General of Audit with its seven zonal units at Ahmedabad, Mumbai, Delhi, Bangalore, Kolkata, Chennai and Hyderabad is to provide a focal link between the Commissionerates (who actually run the audit process) and the Board on all audit-related matters. On the one hand, it aids and advises the Board in policy formulation and on the other, it guides and provides functional direction in planning, co-ordination, supervision and conduct of audits at the local level. Every Commissionerate has an Audit cell, manned by an Assistant/Deputy Commissioner and auditors and headed by an Additional/Joint Commissioner and this cell prepares, co-ordinates and monitors the audit plan. Internal audit parties consisting of Superintendents and Inspectors carry out this audit.

We attempted to check the efficiency of the selection process of assessees by internal audit cell of the department and actual audit done by the internal audit parties by verifying some assessee records already audited by the internal audit parties. Few cases are illustrated in the following paragraphs.

3.4.1 Non-detection of undervaluation of excisable goods by Internal Audit

As per Annexure E of the Central Excise Audit Manual 2008, the auditors are required to verify the Cost Audit Report with a view to ascertain inter alia, whether any related party transaction is made to unearth undervaluation of excisable products transferred within group companies/related parties. Rule 8 read with proviso to rule 9 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 envisages that where excisable goods are not sold by the assessee but are consumed by it or by a related person of the assessee in the manufacture of other articles, the assessable value of such goods shall be one hundred and ten per cent of the cost of production or manufacture of such goods. Further, the Board had clarified (13 February 2003) that the value of goods consumed captively should be determined in accordance with the Cost Accounting Standard (CAS-4) method only.

Audit scrutiny of the records of the assessee M/s. Reliable Autotech Pvt. Ltd. in Nashik Commissionerate, engaged in the manufacture of motor vehicle parts classifiable under Chapter 85 of CETA, 1985 revealed that the assessee had cleared finished goods to its other units in Chakan and Pune during 2008-09 to 2010-11. Audit observed that the assessee did not prepare the required Cost Audit Report (CAS-4) for such clearances as per the above provisions.

When we pointed this out (March 2012), the department intimated (June 2012) that the assessee submitted the cost of production certificate for the years 2008-09, 2009-10 and 2010-11. Differential duty worked out to ₹ 15.34 lakh was paid along with interest of ₹ 4.83 lakh.

The internal audit of the assessee was conducted in March 2011 covering the period up to March 2011; however, the irregularity was not detected by it.

The Ministry admitted the objection (March 2014) and intimated recovery of differential duty of ₹ 15.34 lakh along with interest of ₹ 4.83 lakh. Ministry further intimated that the assessee did not disclose the facts of clearance of excisable goods to their other unit due to which the matter could not be included in the audit plan for further verification.

3.4.2 Non-detection of irregular availing of cenvat credit by internal audit

As per Annexure E of the Central Excise Audit Manual, 2008, the Cost Audit Report should be verified in order to check the reversal of cenvat credit availed on written off items. On the basis of the information available, auditor needs to quantify the amount of cenvat credit for which reversal of credit is required. Further, as per Rule 3(5B) of Cenvat Credit Rules, 2004, if the value of an input, or capital goods before being put to use on which

cenvat credit has been taken, is written off fully or where any provision to write off fully has been made in the books of account, then the manufacturer or service provider, as the case may be, shall pay an amount equivalent to the cenvat credit taken in respect of the said input or capital goods. The Board vide circulars dated 22 February 1995 and 16 July 2002, clarified that modvat/cenvat credit of duty availed of on inputs/capital goods which were subsequently written off being obsolete or unfit for use was required to be reversed.

Audit scrutiny of records of M/s Mahanagar Gas Ltd., in Mumbai II Commissionerate, engaged in the manufacture of compressed natural gas used as fuel for vehicles and classifiable under chapter 27 of CETA, 1985 revealed that the assessee availed of cenvat credit of duty paid on inputs received in its factory. The trial balance of the assessee for the period 2009-10 and 2010-11 revealed that the assessee had written off obsolete assets and stocks valued at ₹ 1.30 crore lakh for the years 2009-10 and 2010-11. Audit observed that the corresponding credit of duty of ₹ 19.30 lakh attributable to such inputs was, however, not paid back/reversed which was required to be recovered along with interest.

When we pointed this out (July 2011), department admitted the audit objection and intimated (October 2012) that out of ₹ 1.30 crore, ₹ 21.00 lakh pertained to the asset on which no cenvat credit was availed. The assessee reversed the credit of ₹ 12.44 lakh along with interest of ₹ 1.01 lakh.

The internal audit of the assessee for the period up to 2009-10 was conducted in March 2011, but it failed to detect the irregularity.

The Ministry admitted the objection (February 2014) and intimated that SCN for ₹ 21.23 lakh was issued to the assessee. Ministry further stated that missing out some objection during internal audit was coincidental.

3.5 Other issues

3.5.1 Irregular utilisation of cenvat credit

Rule 20 of Central Excise Rules, 2002 read with notification no. 46/ 2001–C.E. (N.T.) dated 26 June 2001, extends the facility of removal of any excisable goods from factory of production to warehouse without payment of duty for export. CBEC vide Circular No.581/18/2001-CX, dated 29 June 2001, as amended from time to time, has categorically emphasized that goods meant for export can be diverted for home consumption from the warehouse with the permission of the Jurisdictional Assistant / Deputy Commissioner on condition that the clearance shall be effected on invoices prepared under Rule 8 on payment of duty, interest and other charges in cash.

M/s Haldia Petrochemicals Ltd. in Haldia Commissionerate transferred Motor spirit, Benzene, Py gas, etc. to its warehouse. During November 2007, these goods were diverted from the warehouses for home consumption on payment of appropriate duty through cenvat account instead of payment through cash which contravened Board's clarification cited above. Moreover, the assessee did not obtain permission of the competent jurisdictional authority for such diversion of goods. This resulted in irregular utilisation of cenvat credit of ₹ 45.76 lakh which was recoverable with applicable interest.

When we pointed this out (December 2008), the department admitted the objection (February 2012) and intimated that a show cause notice issued in May 2010 for ₹ 56.41 crore for the period April 2005 to December 2009, was confirmed along with imposition of equal penalty in March 2012. Non-adherence to Board's instructions by the departmental authorities on diversion for home consumption of the goods meant for export without prior approval of competent authority, was brought to the attention of the Ministry. The reply of the Ministry was awaited (March 2014).

C. Nedunchezhian

New Delhi (C. NEDUNCHEZHIAN)

Dated: 8 May 2014 Principal Director (Central Excise)

Countersigned

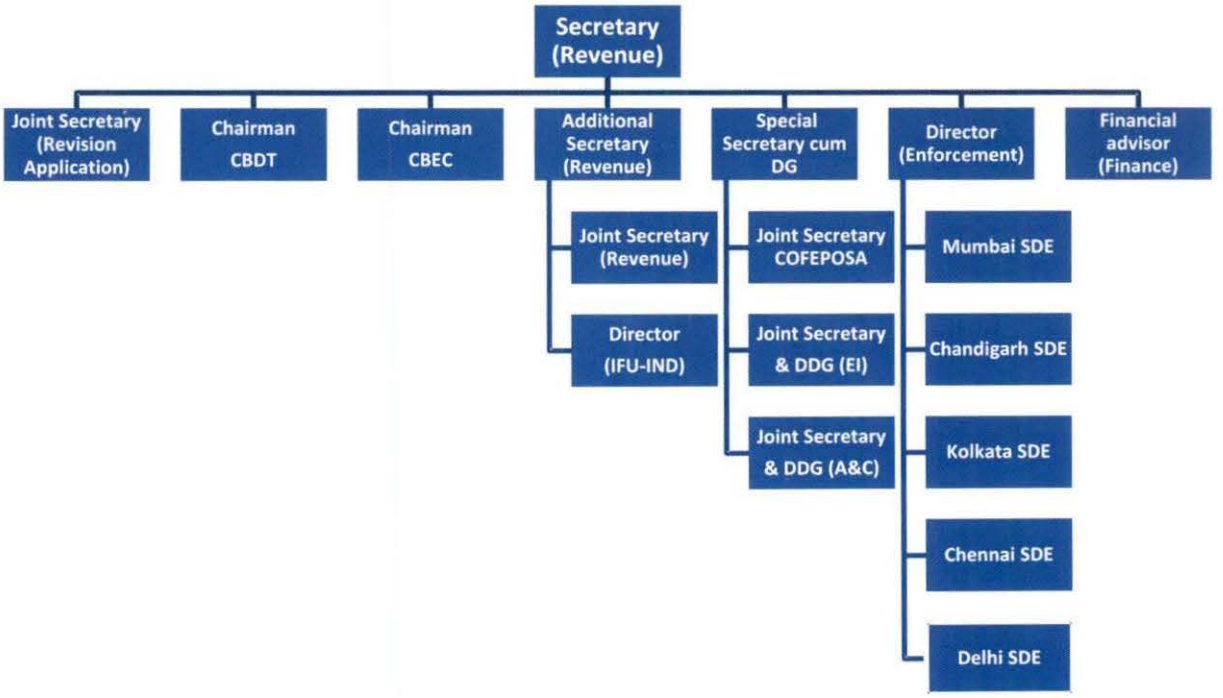
New Delhi (SHASHI KANT SHARMA)

Dated: 8 May 2014 Comptroller and Auditor General of India

APPENDICES

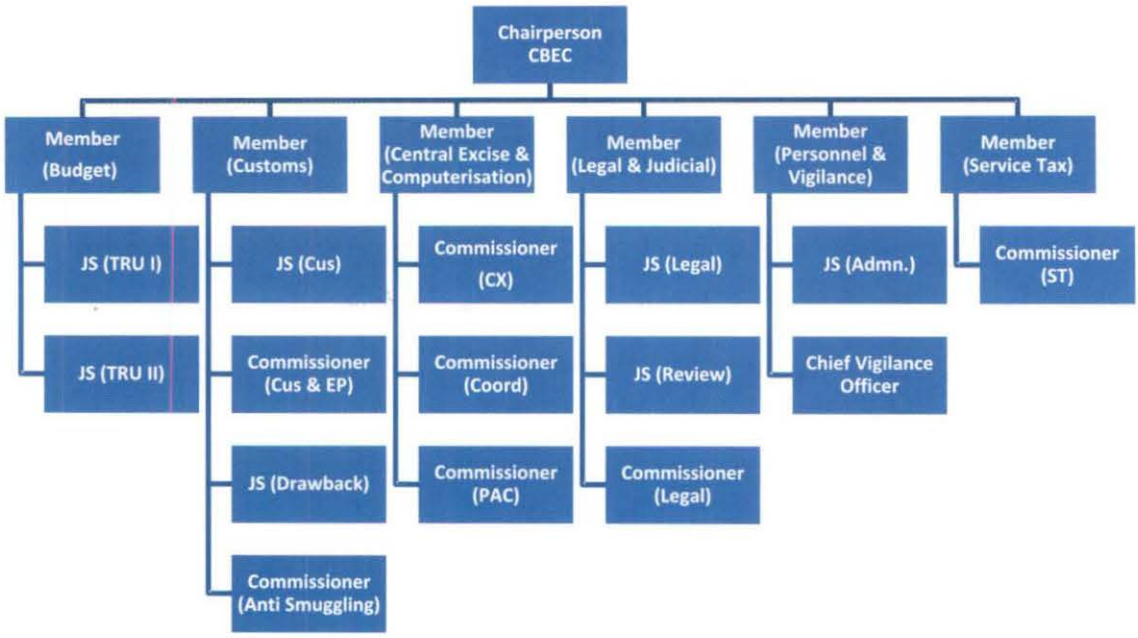
Appendix I

Organisational Chart of Department of Revenue



Appendix II

Organisational Chart of Central Board of Excise and Customs



Appendix III

(Reference: Paragraph 2.1)

(Lakh ₹)

Sl. No.	DAP No.	Brief Subject	Amount objected	Amount accepted	Amount recovered	Name of Commissionerate
1	3A	Short payment of duty due to misclassification	567.00	567.00	-	Hyderabad-IV
2	7A	Incorrect availing of cenvat credit of Rs. 5.71 lakh due to consideration of ineligible inputs services	45.42	45.42	-	Raipur
3	8A	Incorrect availing of cenvat credit of Rs. 30.04 lakh due to consideration of ineligible inputs	28.90	28.90	-	Raipur
4	9A	Non-maintenance of separate accounts for excisable and exempted goods	87.03	87.03	14.76	Meerut-II
5	10A	Ineligible utilization of Cenvat credit for payment of differential duty	35.99	35.99	0.79	Cochin
6	11A	Premature availing and utilization of input service credit on GTA services	78.65	78.65	1.35	Bhubaneswar-I
7	14A	Non reversal of cenvat credit on raw material destroyed	18.13	18.13	-	Raigad
8	15A	Irregular availing of cenvat credit	104.54	104.54	-	Mumbai LTU
9	16A	Excess availing of service tax credit by input service distributor (ISD)	1498.00	1498.00	-	Mumbai LTU
10	17A	Undervaluation of excisable goods	41.06	41.06	-	Raigad
11	1B	Short payment of Central Excise duty	21.91	21.91	21.91	Ludhiana
12	2B	Non reversal of cenvat credit of goods declared as written off/obsolete	47.42	47.42	23.97	Delhi III
13	3B	Non payment of amount equivalent to 5 per cent of value of exempted goods	22.47	22.47	22.47	Chennai III
14	4B	Non-reversal of cenvat credit on provision for write off of non-moving inventory	19.37	19.37	19.37	Chennai III
15	5B	Availing of cenvat credit on ineligible capital goods	50.51	50.51	-	Guntur
16	6B	Availing of cenvat credit on ineligible capital goods	39.98	39.98	-	Guntur

Sl. No.	DAP No.	Brief Subject	Amount objected	Amount accepted	Amount recovered	Name of Commissionerate
17	7B	Availing of cenvat credit on ineligible capital goods	22.35	22.35	-	Visakhapatnam I
18	8B	Non-payment of interest on differential duty	18.73	18.73	18.73	Hyderabad I
19	9B	Non-payment of differential duty	31.94	31.94	-	Tirupathi
20	10B	Short payment of duty on inputs cleared as such	61.72	61.72	51.19	Rajkot
21	11B	Short deposit of duty collected	10.34	10.34	10.34	Bangelore LTU
22	12B	Incorrect Availing of Cenvat Credit	423.80	423.80	-	Bangelore II
23	13B	Incorrect Availing of Cenvat Credit	12.40	12.40	12.40	Bangelore I
24	14B	Excess Availing of Cenvat Credit	10.14	10.14	-	Bangelore III
25	15B	Short levy of Central Excise Duty	947.64	947.64	-	Kolkata II
26	16B	Irregular availing of service tax credit on input services	10.23	10.23	10.23	Cochin
27	17B	Irregular availing of service tax credit on input services	12.80	12.80	12.80	Chennai III
28	18B	Non-reversal of cenvat credit on provision made for slow moving inventory	11.18	11.18	11.18	Madurai Chennai II
29	19B	Excess availing of cenvat credit	19.02	19.02	19.02	Chennai LTU
30	20B	Short payment of duty due to under valuation of goods	13.31	13.31	13.31	Jaipur II
31	21B	Irregular availing of cenvat credit	36.08	36.08	-	Jaipur I
32	22B	Irregular availing of cenvat credit of input services used in exempted goods	48.41	48.41	48.41	Nagpur
33	23B	Short payment of Central Excise duty due to under valuation	109.78	109.78	90.85	Haldia
34	24B	Non-reversal of cenvat credit of Rs. 1.61 crore on provision made to write off	312.00	312.00	312.00	Jaipur I
35	25B	Short payment of interest	32.45	32.45	32.45	Chennai III
36	26B	Non-payment of duty on clearances of exempted goods	26.40	26.40	26.40	Jamshedpur
37	27B	Short-payment of Excise Duty of Rs. 6.83 lakh due to undervaluation of goods	18.15	18.15	18.15	Delhi I
38	28B	Short reversal of Cenvat credit of Rs. 16.60 lakh on inputs used in manufacture of exempted goods	16.60	16.60	16.60	Vapi
39	29B	Irregular availment of cenvat credit of Rs. 21.12 lakh	22.45	22.45	22.45	Vododara II

Sl. No.	DAP No.	Brief Subject	Amount objected	Amount accepted	Amount recovered	Name of Commissionerate
40	30B	Non Levy of interest on differential duty paid	21.63	21.63	21.63	Hyderabad III
41	31B	Non-payment of duty on good removed in excess of exempted quantity	13.33	13.33	-	Thiruvananthapuram
42	32B	Availing of double credit of cenvat	28.40	28.40	28.40	Cochin
43	33B	Non-maintenance of separate accounts	263.49	263.49	263.49	Haldia
44	35B	Delay in demand of interest by department	33.75	33.75	-	Kolkata III
45	37B	Non-reversal of Cenvat Credit of stores and spares declared as written off	14.41	14.41	14.41	Delhi IV
46	39B	Undervaluation of excisable goods	32.87	32.87	32.87	Pune I
47	40B	Non-reversal of cenvat credit of Rs. 12.50 lakh on provision to write off of inputs before being put to use	25.65	25.65	-	Bangelore II
48	41B	Short levy of duty due to undervaluation	24.10	24.10	24.10	Bolpur
49	42B	Incorrect determination of cost of excisable goods	11.02	11.02	11.02	Thane-I
50		Small money value observations which were accepted by the department and rectificatory action taken but not converted into Draft Audit Paragraphs	894.57	894.57	830.17	
		Total	**6297.52**	**6297.52**	**2057.22**	

Appendix IV

(Reference: Paragraph 3.2)

(Lakh₹)

Sl. No.	DAP No.	Subject	Amount objected	Amount accepted	Amount recovered	Name of Commissionerate
1	2D	Delay in initiation of corrective action by the department	104.46	104.46	-	Guntur
2	4D	Short payment of duty remained undetected due to non-scrutiny of Returns	21.95	21.95	21.95	Haldia
3	5D	Failure of department to detect incorrect classification of product resulted in non-levy of duty	130.52	130.52	-	Kolhapur
		Total	**256.93**	**256.93**	**21.95**	

Glossary

ACES	Automation of Central Excise and Service Tax
AR	Audit Report
ATN	Action Taken Note
Board	Central Board of Excise & Customs (CBEC)
Boards	Central Board of Excise & Customs (CBEC) and Central Board of Direct Taxes (CBDT)
CAS	Cost Accounting Standard
CBDT	Central Board of Direct Taxes
CBEC	Central Board of Excise & Customs
Cenvat	Central value added tax
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CETA	Central Excise Tariff Act, 1985
Commissionerate	O/o Commissioner of Central Excise / Service Tax
CX / CE	Central Excise
DGCEI	Director General of Central Excise (Intelligence)
Division / Range	Central Excise / Service Tax division / range office under the Commissionerate
DOR	Department of Revenue
EA 2000	Excise Audit Manual
FY	Financial Year
GDP	Gross Domestic Product
GTR	Gross Tax Revenue
ICT	Information & Communication Technology
LTU	Large Taxpayer Unit
Ministry / Department	Ministry of Finance (Department of Revenue)
Modvat	Modified value added tax
Notification / Circular	Notification / circular issued by CBEC
PAC	Public Accounts Committee
PLA	Personal Ledger Account
POL	Petroleum, Oil and Lubricants
RFD	Result Framework Document
SCN	Show Cause Notice
TE	Tax Expenditure